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SUBJECT: CHINA/EITI: SUPPORTIVE IN PRINCIPLE, BUT
MISPERCEPTIONS REMAIN

REFS: A: STATE 115798; B: BEIJING 4394

Summary

1. (SBU) Summary. In a discussion with EEB DAS Douglas Hengel in Beijing, a Foreign Ministry official said the objectives of the Extractive Industries Transparency Initiative (EITI) are consistent with China's efforts to promote corporate social responsibility. He welcomed inviting China's National Energy Administration (NEA) head to the next EITI conference and assured Hengel that he would discuss the EITI with his NEA counterparts. A leading government advisor on energy also said he agrees with the EITI's principles and told Hengel he would discuss the EITI with the NEA and NDRC. Despite the officials' agreement with the EITI's general principles, however, it appears that some misperceptions about the EITI remain; suggesting that further efforts are needed to ensure the Chinese government understands the EITI's objectives and the benefits of becoming a supporting country. End Summary.

2. (SBU) EEB DAS Douglas Hengel discussed the Extractive Industries Transparency Initiative (EITI) with Ministry of Foreign Affairs (MFA) Deputy Director General for International Affairs Li Junhua, Energy Research Institute (ERI) Director General Han Wenke, Director for the Center of China Studies at Tsinghua University Dr. Hu Angang, and PetroChina President Zhou Jiping in Beijing December 3rd and 5th in conjunction with his participation in the 5th Strategic Economic Dialogue. DAS Hengel also passed background information in reftel A to the participants in each meeting.

MFA will consider EITI and discuss it with NEA

3. (SBU) DAS Hengel provided MFA's Li with background information on EITI and encouraged China to become a supporting member. Hengel noted that the EITI Secretariat plans to invite National Development and Reform Commission (NDRC) Vice Minister and National Energy Administration head Zhang Guobao to attend the next EITI conference in Doha in February 2009.

14. (SBU) Li said the Chinese government encourages efforts to reduce corruption and improve fiscal transparency. The EITI's objectives are consistent with the concept of Corporate Social Responsibility, which has gained broad support from the Chinese government. Although China is not a supporting member of EITI, he explained, Chinese companies investing abroad must comply with all host country laws and policies. Li emphasized that China is an active participant in the UN Global Compact, which aims to enhance corporate responsibility. The Chinese government has encouraged all large Chinese companies to associate themselves with this initiative. Li compared the EITI to the Kimberley Process and suggested that, like the Kimberley Process, it will take some time for the EITI to gain broader international acceptance.

15. (SBU) On next steps, Li agreed it would be useful for the EITI Secretariat to invite Vice Minister Zhang to attend the next EITI conference. He assured Hengel that MFA would give EITI "serious consideration" and promised to follow up with his NEA counterparts to determine how China could best participate in the EITI. He noted, however, that the NEA would also need to "develop its own views" on the issue.

Academics, oil officials agree with EITI principles

16. (SBU) Hengel also raised EITI with Dr. Han Wenke, Director General of the NDRC-affiliated Energy Research Institute (ERI), Dr. Hu Angang, Director for the Center

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of China Studies at Tsinghua University, and Zhou Jiping, President of PetroChina. All three remarked that although they are not very familiar with EITI, the fundamental concepts behind it are consistent with China's support for transparency and corporate responsibility. ERI DG Han, one of the leading advisors to the Chinese government on energy policy, added that his institution would study EITI informally and discuss it with the NEA.

Comment

17. (SBU) Comment: Although Chinese officials agreed with the EITI's basic principles, their comments and questions revealed gaps in their understanding of the EITI's purpose and structure. For example, MFA DDG Li stated that he understood the EITI had broadened its mandate beyond the extractive industries to include all major industries. PetroChina President Zhou also sought clarification on the different roles played by implementing countries and supporting countries, and asked why the U.S. was not an implementing country. These comments suggest that further work is needed to ensure the Chinese government understands the EITI's objectives, the USG's intentions regarding enlisting China's support of it, and the obligations incurred were China to become a supporting country. In addition, per ref tel B, it remains unclear which ministry has the lead in coordinating China's policy toward the EITI. During negotiations regarding a paragraph in the SED outcomes document concerning the EITI, emboffs were informed that MFA had the lead, yet NDRC and NEA appeared to ultimately play a more significant role in determining China's position on the issue. End Comment.

18. (U) DAS Hengel has cleared this cable.

RANDT